

BEFORE THE DEPARTMENT OF ADMINISTRATION
OF THE STATE OF MONTANA

In the matter of the proposed
amendment of ARM 2.59.1409
pertaining to duration of loans -
interest - extensions

) NOTICE OF PROPOSED
) AMENDMENT
)
) NO PUBLIC HEARING
) CONTEMPLATED

TO: All Concerned Persons

1. On June 5, 2006, the Division of Banking and Financial Institutions proposes to amend the above-stated rule.

2. The Department of Administration, Division of Banking and Financial Institutions, will make reasonable accommodations for persons with disabilities who need an alternative accessible format of this notice. If you require an accommodation, contact the Division of Banking and Financial Institutions no later than 5:00 p.m. on May 31, 2006, to advise us of the nature of the accommodation that you need. Please contact Christopher Romano, Division of Banking and Financial Institutions, P.O. Box 200546, Helena, Montana 59620-0546; telephone (406) 841-2928; TDD (406) 444-1421; facsimile (406) 841-2930; e-mail to cromano@mt.gov.

3. The rule as proposed to be amended provides as follows, stricken matter interlined, new matter underlined:

2.59.1409 DURATION OF LOANS – INTEREST – EXTENSIONS

(1) remains the same.

(2) The loan agreement may provide for automatic 30-day renewal periods beyond the original term if principal and interest are not paid in full on the maturity date. Any automatic 30-day renewal period must be clearly stated on the face of the loan agreement in bold, capital letters. In addition to any other disclosures that may be required by law, licensees must provide the borrower, in the original title loan agreement or by addendum, a statement of the principal and interest due over a six-month period if the borrower fails to make any payments as set forth in Illustration A. Such statement must be initialed by the borrower at the time of the original loan and include the borrower's affirmation that the borrower has been shown and read the statement.

Illustration A

	Principal	Interest Per Month at 25%	Accrued Interest at 25%	Total Amount Due
Original Loan	\$500.00	\$125.00	\$125.00	\$625.00
Renewal 1	\$500.00	\$125.00	\$250.00	\$750.00
Renewal 2	\$500.00	\$125.00	\$375.00	\$875.00

Renewal 3	\$500.00	\$125.00	\$500.00	\$1,000.00
Renewal 4	\$500.00	\$125.00	\$625.00	\$1,125.00
Renewal 5	\$500.00	\$125.00	\$750.00	\$1,250.00
Renewal 6	\$500.00	\$125.00	\$875.00	\$1,375.00

(3) through (6) remain the same.

AUTH: 31-1-802, MCA

IMP: 31-1-816, MCA

4. REASONABLE NECESSITY: The Division of Banking and Financial Institutions has determined that it is necessary to amend Illustration A within ARM 2.59.1409. In particular, Renewal 6 within Illustration A is out of compliance with section 31-1-816(2)(d)(i), MCA. That statute states that a title lender may renew the title loan for additional 30-day periods beyond the original term provided that beginning with the sixth extension or continuation, and for each subsequent extension or continuation, the borrower must reduce the principal amount by at least 10% of the original principal amount of the loan. The principal indicated in Renewal 6 should be reduced by 10% to be in compliance with the statute. Illustration A demonstrates how interest accrues on a title loan when no payments are made on a title loan that is renewed for additional 30-day periods. The division is deleting Renewal 6 because the original loan through Renewal 5 provides an example of a six-month period when the borrower fails to make any payments when renewing a title loan.

5. Concerned persons may present their data, views, or arguments concerning the proposed amendment in writing to Mark Prichard, Legal Counsel, Division of Banking and Financial Institutions, P.O. Box 200546, Helena, Montana 59620-0546; faxed to the office at (406) 841-2930; e-mailed to mprichard@mt.gov, and must be received no later than 5:00 p.m., June 2, 2006.

6. If persons who are directly affected by the proposed amendment wish to present their data, views, or arguments orally or in writing at a public hearing, they must make a written request for a hearing and submit the request along with any comments they have to Mark Prichard, Legal Counsel, Division of Banking and Financial Institutions, P.O. Box 200546, Helena, Montana 59620-0546; faxed to the office at (406) 841-2930; e-mailed to mprichard@mt.gov, and must be received no later than 5:00 p.m., June 2, 2006.

7. If the division receives requests for a public hearing on the proposed amendment from either 10% or 25, whichever is less, of those who are directly affected by the proposed amendment, from the appropriate administrative rule review committee of the legislature, from a governmental agency or subdivision, or from an association having no less than 25 members who will be directly affected, a hearing will be held at a later date. Notice of the hearing will be published in the Montana Administrative Register. Ten percent of those persons directly affected has

been determined to be four based on the number of title loan licensees as of publication of this notice.

8. An electronic copy of this Notice of Proposed Amendment is available through the department's site on the World Wide Web at <http://banking.mt.gov> under "Administrative Rule Notices." The department strives to make the electronic copy of this Notice of Proposed Amendment conform to the official version of the Notice as printed in the Montana Administrative Register, but advises all concerned persons that in the event of a discrepancy between the official printed text of the Notice and the electronic version of the Notice, only the official printed text will be considered. In addition, although the department strives to keep its website accessible at all times, concerned persons should be aware that the website may be unavailable during some periods, due to system maintenance or technical problems, and that a person's technical difficulties in accessing or posting to the e-mail address do not excuse late submission or comments.

9. The Division of Banking and Financial Institutions maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this division. Persons who wish to have their name added to the mailing list shall make a written request which includes the name and mailing address of the person to receive notices and specifies that the person wishes to receive notices regarding division rulemaking actions. Such written requests may be mailed or delivered to Christopher Romano, Division of Banking and Financial Institutions, 301 S. Park, Ste. 316, P.O. Box 200546, Helena, Montana 59620-0546; faxed to the office at (406) 841-2930; e-mailed to cromano@mt.gov; or may be made by completing a request form at any rules hearing held by the Division of Banking and Financial Institutions.

10. The bill sponsor notice requirements of 2-4-302, MCA, do not apply.

BY: /s/ Janet R. Kelly
Janet R. Kelly, Director
Department of Administration

BY: /s/ Dal Smilie
Dal Smilie, Rule Reviewer
Department of Administration

Certified to the Secretary of State April 24, 2006.